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 INFO RUFHOL/AMEMBASSY BONN 0571
 RUEHOT/AMEMBASSY OTTAWA 0016
 RUEHMO/AMEMBASSY MOSCOW 5409
 BT
 C O N F I D E N T I A L PARIS 42234

E.O. 12356: OADR
 TAGS: EEWT, EFIN, ETRD, FR, UR
 SUBJECT: FRENCH PARTICIPATION IN ASTRAKHAN GAS PROJECT

REF: (A) PARIS 41103, (B) PARIS 39172
 - (C) MOSCOW 14689

1. CONFIDENTIAL - ENTIRE TEXT.

2. DURING DECEMBER 7 CALL ON SEPARATE SUBJECT, MINECON RAISED QUESTION OF FRENCH PARTICIPATION IN ASTRAKHAN PROJECT WITH MOUTON, QUAI DEPUTY ECONOMIC DIRECTOR. MOUTON REITERATED HIS AND PAYE'S EARLIER STATEMENTS (REFTELS) THAT THE GOF IS NOT OFFERING BELOW CONSENSUS RATE FINANCING. IN RESPONSE TO QUESTION REGARDING POSSIBLE METHODS FOR CREATIVE FINANCING (E.G., LOWERING NOMINAL INTEREST RATE AND INCREASING PRICES) MOUTON SAID THAT COMPANY WOULD PUT TOGETHER THE BEST DEAL IT COULD, BUT FRENCH PRICES AND FINANCING TECHNIQUES PUT SEVERE RESTRICTIONS ON THE ABILITY OF THE FRENCH SUPPLIER TO CONVERT CONSENSUS RATES INTO SOMETHING MORE FAVORABLE.

3. ON A CONFIDENTIAL BASIS, MOUTON SAID HE UNDERSTOOD THAT THE CANADIANS WILL PROBABLY WIN THE GAS-GATHERING PORTIONS OF THE CONTRACT AND THE FRENCH WILL OBTAIN MOST OR ALL THE SEPARATION PLANT. HE ALSO INDICATED THAT THE GOF HAD MADE CLEAR TO THE SOVIETS THAT THE GOF WOULD VIEW LACK OF FRENCH PARTICIPATION IN THE ASTRAKHAN PROJECT AND SOVIET UNWILLINGNESS TO INCREASE TRADE GIVEN THEIR HIGHLY FAVORABLE TRADE BALANCE AS A POLITICAL GESTURE. THE PRESENCE OF MINISTER OF INDUSTRY AND TECHNOLOGY CHEVENEMENT IN MOSCOW FOR THE NEGOTIATIONS IS INTENDED TO MAKE CLEAR AND TO REINFORCE THIS MESSAGE.

4. COMMENT. THE FRENCH TACTIC AT THIS POINT SEEMS TO BE TO PLAY A HARD GAME, SEEKING TO PUT THE ONUS ON THE USSR FOR FAILURE TO TAKE STEPS TO BALANCE TRADE

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RATHER THAN TRYING TO ASSEMBLE A FINANCIAL PACKAGE
THAT WOULD VIOLATE THE CONSENSUS. IF THE SQVIETS
STAND FIRM WE STILL BELIEVE IT POSSIBLE THAT THE
FRENCH WILL CAVE.
GALBRAITH
END OF MESSAGE

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